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**Flowers Briefs House of Representatives on Reciprocal Issue**

Tennessee Commissioner of Commerce and Insurance Paula A. Flowers briefed the Tennessee House of Representatives Thursday regarding the state's efforts to rescue three malpractice insurance reciprocals now under state receivership.

"I hate to call it a perfect storm, but that's pretty much what happened here," Commissioner Flowers told lawmakers. "Unless we are able to get these companies back on their feet...doctors and lawyers and medical facilities will be entirely responsible for paying these (malpractice) claims."

The three companies - American National Lawyers Insurance Reciprocal, Doctors Insurance Reciprocal, and The Reciprocal Alliance - provide malpractice insurance coverage as "Risk Retention Groups," in which a group of professionals can band together to share insurance risk. Under federal law, such companies cannot be required to participate in state Guaranty Funds, which are designed as a safety net to help pay the claims of collapsed insurers.

All three companies are reinsured by Virginia-based Reciprocal of America, or ROA, which was taken into receivership by Virginia state officials January 28. The three were operated by a Virginia-based management company with ties to ROA. Commissioner Flowers took the three Tennessee reciprocals into receivership January 31.

"All the books and records, all the data, are in a separate management company that is not regulated by the Dept. of Commerce and Insurance and it is all kept in Virginia," Commissioner Flowers told lawmakers. Further, she said, Tennessee officials have not yet been given adequate access to those records by the State of Virginia.

According to the latest available state records, ANLIR covers 3,540 Tennessee lawyers, has liquid assets of \$6.6 million, and is owed \$51.8 million by ROA for pending claims. DIR now covers only eight Tennessee physicians, has \$5.2 million in liquid assets, but awaits \$142.5 million from ROA to pay pending claims. The Reciprocal Alliance, which insures 368 Tennessee medical facilities, has liquid assets of \$16.8 million and is owed \$57.3 million by ROA.

"If we have to liquidate these companies, the payout for claims is likely to be pennies on the dollar," Commissioner Flowers told lawmakers.